



County of Los Angeles CHIEF EXECUTIVE OFFICE

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October 12, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

A handwritten signature in black ink, appearing to read "WTF", is written over the printed name "William T Fujioka".

Update on Health Care Reform

On October 9, 2007, Governor Arnold Schwarzenegger held a press conference to unveil his revised health care reform proposal to cover all Californians, which he now calls the "Health Care Security and Cost Reduction Act." The Governor said that the 220 page draft bill was released in response to the Legislative Leaders' long-standing request that he put his proposal in writing. The Governor's response to a media question left it unclear when it will be introduced in bill form; however, he stated that he hopes to wrap up health care reform within the next two weeks.

During the course of the press conference, it became clear that the Governor does not regard this draft as a final product. Rather, he suggested that it will serve as a vehicle for negotiating additional amendments. The Governor said that the changes from his January reform proposal reflect feedback from countless meetings with legislative leaders and numerous stakeholders. The revised plan's price tag is \$14 billion annually compared with a \$12 billion annual cost estimated for his January proposal.

The California State Association of Counties (CSAC) reported on Friday, October 12, 2007 that key legislative staff have indicated that the Assembly Health Committee will hold informational hearings on the Governor's proposal in the next two to three weeks. The

Senate Health Committee is not planning any informational hearings. However, they plan to hold a hearing if compromise health reform legislation emerges.

A very brief summary of the key elements included in the Governor's revised proposal follows:

Individual Mandate. The Governor's proposal continues to require that all Californians obtain coverage. The enforcement mechanism for the individual mandate is not defined and would be determined by the development of implementing regulation.

Affordability. The new plan reduces the amount that low and moderate income individuals will have to pay for coverage in the State subsidized pool, limits premiums based on income, and creates a tax credit for individuals and families between 250 and 350 percent of the Federal poverty level. It now requires employers to offer employees IRS Code Section 125 cafeteria plans, which allows companies to give their employees the opportunity to pay for benefits on a pretax basis.

Guaranteed Coverage. Although the plan continues to require guaranteed coverage, regardless of medical history or age, it phases in elimination of these medical rating elements, but limits what insurers can charge above or below a standard rate.

Financing. The proposal indicates the intent to finance the reform through contributions from employers, individuals, Federal, State, and county governments, and health care providers which will be contained in a ballot initiative targeted for the November 2008 election. Financing elements will include:

- County Share of Cost. While counties will still be assessed a share of cost, it is not defined.
- Provider Fee. Public and private hospitals would still be charged a fee of four percent of patient revenues, which is consistent with the January proposal, but doctors are no longer required to pay a two percent fee as previously proposed.
- Employer Fee. Employers who do not offer health care coverage would be charged a sliding scale fee from zero to four percent based on their total payroll, rather than a flat four percent of payroll.
- Lease of California Lottery. The plan proposes to collect a projected \$2.0 billion annually from leasing the California Lottery.
- No Increase in State Sales Tax. The Governor does not propose an increase in the State's sales tax.

Full Cost Reimbursement. The Governor's proposal indicates an intent to provide public hospitals with full cost reimbursement for both in patient and out patient services and through managed care rate increases.

Local Coverage Option. The new proposal creates the Local Coverage Options Program over a three-year transition period to help provide a stable base of patients for public hospitals. It would authorize the Director of the Department of Health Care Services to contract with counties to provide a benchmark package of benefits to county residents who have a family income at or below 100 percent of the Federal poverty level, subject to Federal financial participation and approval.

Safety Net Care Pool Payments. The Governor's proposal includes a maximum of \$100 million Statewide to pay for the non-hospital based clinics services and physician services for the uninsured.

Rate Increases. According to the Governor's press release, public hospitals would receive an additional \$500 million above the original proposal. The proposal contains no details on the assumptions and formulas supporting the \$500 million figure.

Physician Medi-Cal providers or provider groups also would receive rate increases which would be subject to Federal approval and the availability of a State appropriation. The physician rate increases also may be linked to performance measures.

Minimum Benefit. The proposal no longer defines the minimum health insurance level, which was previously a \$5,000 deductible plan with maximum out-of-pocket limits of \$7,500 per person and \$10,000 per family. Instead, it directs the Secretary of Health and Human Services to establish the minimum benefit level through the regulatory process. However, it does require that the minimum level must cover medical, hospital, preventive and prescription drug services; promote access to care; and be affordable. Once established, it can only be changed by the Legislature.

We are working with the Department of Health Services and other affected County departments, county-affiliated organizations including CSAC, the California Hospital Association, California Association of Public Hospitals, County Health Executives Association of California, County Mental Health Directors Association, County Welfare Directors Association of California and labor representatives to review and determine the impact of the Governor's revised proposal.

Status of County-Sponsored Legislation

County-sponsored AB 800 (Lieu), which clarifies the requirement that a person who causes or permits a sewage or waste discharge in or on California waters must notify the

local health officer or environmental health director, was signed by the Governor on October 10, 1007.

SB 767 (Ridley-Thomas), which would provide protection from civil and criminal liability for licensed health care professionals who are working in conjunction with an opioid overdose prevention and treatment program was signed by the Governor on October 10, 1007. The bill is limited to seven counties including Los Angeles County, and would sunset on January 1, 2011.

Status of County Advocacy Legislation

AB 119 (Price), which would require the State to pay for expenses incurred during 2007, for elections proclaimed by the Governor to fill a vacancy in the office of State Senator or member of the Assembly, or to fill a vacancy in the office of the United States Senate or Representative in Congress, was signed by the Governor on October 10, 1007.

County-supported AB 340 (Hancock), which would establish the Unified Resource Families Assessment Pilot Project in five volunteer counties selected by the California Department of Social Services, was signed by the Governor on October 11, 2007.

County-supported AB 752 (Dymally), which establishes a mechanism to distribute stabilization funds among the public hospitals in years three through five of the Hospital Financing Waiver, was signed by the Governor on October 12, 2007.

County-supported AB 1331 (Evans), which would require counties to screen foster youth between 16 years and six months and 17 years and six months of age for eligibility to Federal Supplemental Security Income benefits, was signed by the Governor on October 11, 2007.

County-supported AB 1453 (Soto), which would require the California Department of Social Services to work with public and private stakeholders to develop a plan to transform California's group home system for foster youth and children with serious emotional disorders into a residentially-based services system, was signed by the Governor on October 11, 2007.

SB 184 (Alquist), which would revise the way a local entity may be reimbursed by the state for advance expenditures on a transportation project contained in the State Transportation Improvement Program, was signed by the Governor on October 11, 2007.

County-supported SB 474 (Kuehl), which creates the South Los Angeles Medical Services Preservation Fund of up to \$100 million annually that will be provided to the County for the preservation of healthcare services to the South Los Angeles County

population formerly served by MLK-Harbor Hospital, was signed by the Governor on October 12, 2007.

County-supported SB 720 (Kuehl), which would expand the definition of a whole family foster home to include existing foster homes and non-related legal guardian homes, and would facilitate the joint placement of foster youth teen parents with their children, was signed by the Governor on October 11, 2007.

County-supported SB 966 (Simitian), which requires the Integrated Waste Management Board to identify and develop model programs for the safe disposal of pharmaceutical waste and to report to the Legislature by December 1, 2010 on the effectiveness and accessibility of the programs, was signed by the Governor on October 12, 2007.

Legislation of County Interest

AB 246 (Torrico), which would prohibit anyone who sells investment products to any public retirement system in California from being a member of the board of retirement, or board of investment of a county operating a retirement system under the County Employees' Retirement Law of 1937, which includes the Los Angeles County Employees Retirement Association (LACERA), was signed by the Governor on October 8, 2007. The bill was supported by LACERA and a number of other employee associations Statewide.

AB 392 (Lieu), which mandates that employers allow workers to take up to ten days of unpaid leave when a spouse is on leave from military service, was signed by the Governor on October 9, 2007.

AB 554 (Hernandez), which would allow the California Public Employees' Retirement System to offer access to the California Employers Retirement Benefit Trust Fund to all California public employers for the purposes of pre-funding the future costs of retiree health benefits and other post employment benefits was signed by the Governor on October 8, 2007.

AB 1124 (Karnette), which makes technical and clarifying changes allowing counties operating their retirement systems under the County Employees' Retirement Law of 1937 to establish new trust funds for the sole purpose of pre-funding post employment benefits, was signed by the Governor on October 8, 2007. The bill was supported by LACERA.

AB 1288 (Hayashi), which would authorize counties operating their retirement systems under the County Employees' Retirement Law of 1937 to establish vision care programs for retirees, their survivors and eligible dependents was signed by the Governor on October 8, 2007. Under this plan, retirees would be responsible for the full cost of the vision

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care premium. The cost of the benefit could be deducted from the retiree's monthly retirement benefit. This bill was supported by LACERA.

We will continue to keep you advised.

WTF:GK
MAL:IGA:acn

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants